

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA



THE UNIVERSITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended March 31, 2006

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THE UNIVERSITY OF WINNIPEG

Report on the Consolidated Financial Statements Report of the Vice-President Finance & Administration The University of Winnipeg

The University of Winnipeg's consolidated financial statements contain the financial results of the University of Winnipeg's operations and the operations of the University of Winnipeg Educational Housing Corporation. The University of Winnipeg Foundation's financial results and those of the University of Winnipeg Community Renewal Corporation are included by means of extensive notes within the consolidated financial statements. The University's operations include the University undergraduate and graduate credit programs, Continuing Education Division, the Collegiate, Campus Services, Academic Enterprises, sponsored research & designated funds, and trust & endowment funds.

Overview of the Fiscal Year

The statements present the University's financial results for the year ending March 31, 2006. The University incurred a deficit of \$478,000 based on revenues of \$82.9 million. The deficit includes \$1.04 million of expenditures from Strategic Provisions in accordance with GAAP and adjusted through Statement III.

The financial results reflect the effect of a continuing decline in student enrolment growth, insufficient growth in the level of Provincial grant funding to maintain a sustainable level of operations and continuing pressures in operating expenditures, including staffing and facilities. This is the first operating deficit incurred by the University during the past 5 years and essentially reflects the previously reported gap in the growth of Revenues and Expenditures that exists within the University's financial structure.

In terms of operations, the University has completed a positive year and although student enrolment increased it was at a lower rate than had been assumed in the budget for 2005-2006. The WiiChiiWakanak Centre was opened in the fall of 2005; the renovations to the space at 520 Portage (housing Menno Simons and the Corporate Secretary) were also completed and Student Central was successfully completed. The major renovations to the exterior of Wesley Hall have continued with much progress made through to the end of the fiscal year. Specific funding from the Provincial Government allowed the University to commence the development of a new Student Information System; complete the Wireless Campus initiative and improve security and student services throughout the campus.

The change in the University's financial situation was evidenced by a net reduction in unrestricted net assets of \$273,000 to \$2.041 million and a decrease in internally restricted net assets of \$914,000 to \$1.488 million as reported in Statement III. The changes in Net Assets in Statement III include:

- a) Internally funded transfers in respect of capital asset additions of \$1.72 million and amortization totaling \$1.13 million;
- b) Repayment of long-term debt of \$131,000;
- c) Use of strategic provisions within internally restricted net assets of \$1.04 million; and
- d) A bequest for endowment of \$1.8 million.

The Administration has prepared a balanced budget for fiscal 2006-2007 that will be submitted for approval by the Board of Regents in June 2006. The budget reflects the operating plan for the University in the current year. The 2006-2007 budget is designed to maintain and sustain the University's financial position and provides a balance between supporting and providing for current operating needs, while also allowing for some of the unmet student needs of the University to be modestly addressed. The budget is fiscally responsible as the University fosters the process of building the financial position toward long-term sustainability.

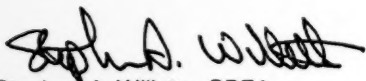
The University also entered into an agreement with Government whereby, through change in regulation, the University was given exemption from making special solvency payments into the pension plan, pending the outcome of an independent actuary review in terms of options to develop a sustainable pension plan. Positive discussions have continued with government as all parties work toward an effective resolution.

The University of Winnipeg Community Renewal Corporation (UWCRC) was established in 2005-2006 to assist the University with both development opportunities and the generation of additional revenue streams. During this year the UWCRC successfully completed its first major property investment transaction that provides future strategic opportunities for the University as well as access to additional revenue streams. The University of Winnipeg Foundation continued with its fundraising efforts during 2005-2006, which included the successful completion of the Family Campaign within the University community, which exceeded the campaign target of \$1million by raising \$2.4 million.

The significant challenges, for the University, that are present in the immediate term include:

- a) Successful resolution of the pension solvency matter working diligently through the process agreed to between the University and Government.
- b) The significant challenge of maintaining operations within the current funding model at a time when student enrolment from high schools has peaked and alternative revenue sources are limited.

The University has made excellent progress in stabilizing its financial condition during the past 5 years. The challenge remains for the University to maintain the progress and to continue to build to a position of long-term fiscal sustainability.



Stephen A. Willetts, CPFA
Vice-President (Finance & Administration)
The University of Winnipeg

June 2, 2006



THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

Stephen Willetts, CPFA
Vice-President (Finance & Administration)

B. Douglas Prophet, CA
Executive Director, Financial Services

Winnipeg, Manitoba
June 2, 2006



Office of the Auditor General

500 - 330 Portage Avenue
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AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
June 2, 2006

Jon W. Singleton, CA•CISA
Auditor General

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2006
(with comparative figures for 2005)

Statement I

ASSETS

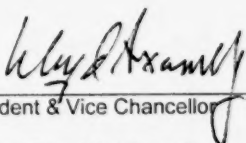
	2006	2005
	\$000	\$000
Current Assets:		
Cash and Short Term Investments (Note 3)	\$13,105	\$13,719
Accounts Receivable	4,200	3,453
Due from Related Parties (Note 20)	391	533
Prepaid Expenses	925	998
Inventory	1,106	779
	<u>19,727</u>	<u>19,482</u>
Long Term Investments (Note 4)	1,566	668
Capital Assets (Note 5)	53,308	47,223
	<u>\$74,601</u>	<u>\$67,373</u>

LIABILITIES

Current Liabilities:		
Accounts Payable & Accrued Liabilities	\$6,234	\$5,835
Deferred Revenue	2,150	1,723
Deferred Contributions (Note 6)	5,033	4,910
Unfunded Staff Benefits (Note 7)	1,409	1,243
Due to Related Party (Note 20)	306	417
	<u>15,132</u>	<u>14,128</u>
Long Term Liabilities (Note 9)	1,913	1,557
Deferred Capital Contributions (Note 10)	40,936	36,402
Net Assets:		
Unrestricted Net Assets	2,041	2,314
Internally Restricted Net Assets (Note 11)	1,488	2,402
Endowments (Note 12)	2,462	650
Investment in Capital Assets	10,629	9,920
	<u>16,620</u>	<u>15,286</u>
	<u>\$74,601</u>	<u>\$67,373</u>
Trust Assets (Note 12)		
Commitments (Notes 15, 16 & 19)		
Contingencies (Note 18)		

Approved by the Board of Regents


Chair, Board of Regents


President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2006
(with comparative figures for 2005)

Statement II

	2006 \$000	2005 \$000
REVENUE		
Government Grants:		
Council on Post Secondary Education	\$37,753	\$35,792
Other Province of Manitoba	1,542	2,092
Government of Canada	2,473	2,515
Student Academic Fees	26,973	25,211
Gifts, Grants & Bequests	2,181	1,332
Investment Income	1,574	1,358
Sales of Services & Products	4,310	4,240
Other Revenues	4,806	4,752
Amortization of Deferred Capital Contributions	1,323	1,207
	82,935	78,499
EXPENSE		
Salaries	47,634	44,938
Staff Benefits	6,294	5,961
Supplies, Services & Other Expenses	12,376	10,929
Cost of Sales	3,045	2,927
Building, Utility & Related Expenses	6,289	5,829
Provincial & Municipal Taxes	1,398	1,819
Scholarships & Awards	2,362	2,060
Gifts to Related Parties (Note 20)	1,565	813
Amortization of Capital Assets	2,450	2,465
	83,413	77,741
EXCESS OF REVENUE OVER EXPENSES	(\$ 478)	\$ 758

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2006
(with comparative figures for 2005)

	2006				2005
	UNRESTRICTED NET ASSETS \$000	INTERNALLY RESTRICTED NET ASSETS (Note 11) \$000	ENDOWMENTS (Note 12) \$000	INVESTMENT IN CAPITAL ASSETS \$000	TOTAL \$000
BALANCE, BEGINNING OF YEAR	\$2,314	\$2,402	\$650	\$9,920	\$15,286
Excess (Expense) Revenue	(478)				(478)
Direct Increases (Decreases):					
Endowment Contributions			1,812		1,812
Endowed Investment Net Realized Gains					0
Unspent Investment Earnings					0
Transfer to Related Foundation (Note 12)					0
Adjustment to Prior Year					0
Transfers:					
Internally Funded:					
Capital Asset Additions	(1,723)			1,723	0
Amortization of Capital Assets	1,127			(1,127)	0
Loss on Disposal of Capital Assets	18			(18)	0
Repayment of Long Term Debt	(131)			131	0
Internally Restricted Net Assets – Trust	(122)	122			0
Strategic Provisions – Expenditures (Note 11)	1,036	(1,036)			0
NET CHANGE FOR THE YEAR	(273)	(914)	1,812	709	1,334
BALANCE, END OF YEAR	\$2,041	\$1,488	\$2,462	\$10,629	\$16,620

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2006
(with comparative figures for 2005)

Statement IV

	2006 \$000	2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	\$42,554	\$39,377
Student Academic Fees	26,631	25,138
Gifts, Grants & Bequests	2,743	1,445
Investment Income	1,609	2,061
Sales of Services & Products	4,342	4,251
Other Revenues	4,728	4,577
Cash Paid for:		
Salaries & Benefits	(54,211)	(50,277)
Supplies, Services & Other Expenses	(11,588)	(11,543)
Cost of Sales	(3,544)	(2,855)
Building, Utility & Related Expenses	(6,404)	(4,883)
Provincial & Municipal Taxes	(1,515)	(1,938)
Scholarships & Awards	(2,356)	(2,060)
Gifts to Related Parties	(1,683)	(118)
	<u>1,306</u>	<u>3,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Long Term Investments	0	(604)
Contributions of Assets	12	11
Contributed Assets Put in Service	(12)	(11)
Cash Purchase of Capital Assets	(8,541)	(6,085)
	<u>(8,541)</u>	<u>(6,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of Endowment Fund – Long Term Investments	0	20,962
Transfer of Endowment Fund to UofW Foundation Inc.	0	(20,979)
Long Term Debt Repayments on Mortgages	(216)	(48)
Long Term Debt – Building Purchase	980	0
Cash Received for Deferred Capital Contributions	5,857	5,336
	<u>6,621</u>	<u>5,271</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(614)	1,757
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,719	11,962
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$13,105</u>	<u>\$13,719</u>
Cash and Cash Equivalents Consists of:		
Cash in Bank (Bank Indebtedness)	14	(873)
Short Term Investments	13,091	14,592
	<u>\$13,105</u>	<u>\$13,719</u>

Excluded from Investing and Financing Activities are non-cash endowments received totalling \$1,812.

See accompanying notes to the consolidated financial statements.

**THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

1. Authority and Purpose

The University of Winnipeg operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturities of one year or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at cost. When there has been a loss in the value of a long term investment, that is other than a temporary decline, the investment is written down to recognize the loss.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and Additions	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings & Equipment	10 years
Major System Computer Software	10 years
Computer Equipment & Software	5 years
Vehicles	5 years

G) Pension Plan

The University contributes to The University of Winnipeg Pension Plan. The Plan is comprised of a defined benefit segment and a defined contribution segment.

The University of Winnipeg Pension Plan assets, liabilities and changes in net assets are reported in the Plan's financial statements. The assets of the Plan are held in trust by independent custodians and are not recorded in the accounts of the University. The Auditor General of Manitoba audits the Plan's financial statements.

Recorded in the University's statements is the actuarially determined cost of maintaining the Plan. The accumulated difference between this cost and the University's funding contribution is reflected in the University's financial statements as either an accrued benefit asset or liability. The corridor approach is used to record actuarial gains and losses for the pension plan. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

H) Employee Future Benefits

The University accounts for employee future benefits on a prospective basis. Under this method, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Future plan obligations are discounted using current market interest rates.

I) Financial Instruments

Financial instruments include receivables, investments, bank overdraft, payables and accrued liabilities and long-term debt.

a) Fair Value of Financial Instruments

The fair value of financial instruments are assumed to approximate carrying values, unless otherwise noted.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

J) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that reflect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

K) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at The University of Winnipeg. The University of Winnipeg Foundation (Note 16) and the University of Winnipeg Community Renewal Corporation (Note 17), both controlled entities, are not consolidated in these financial statements.

3. Cash and Short Term Investments

Cash and short term investments consist of the following:

	2006 \$000	2005 \$000
Operating Funds	\$7,694	\$8,585
Sponsored Research & Designated Funds	1,946	1,969
	<u>9,640</u>	<u>10,554</u>
Trust Funds	3,465	3,165
	<u>\$13,105</u>	<u>\$13,719</u>

4. Long Term Investments

Long term investments are comprised of endowment funds (Note 12):

	2006		2005	
	Fair Value \$000	Cost \$000	Fair Value \$000	Cost \$000
Cash & Fixed Term Instruments	\$600	\$600	\$618	\$618
Investment Shares	50	50	50	50
Property	916	916	0	0
	<u>\$1,566</u>	<u>\$1,566</u>	<u>\$ 668</u>	<u>\$ 668</u>

Fair value, as represented above, was derived from the market value of investments and properties.

5. Capital Assets

	2006			2005
	Cost \$000	Accumulated Amortization \$000	Net Book Value \$000	Net Book Value \$000
Land	\$2,211	\$0	\$2,211	\$2,011
Buildings, Additions and Improvements	52,263	17,574	34,689	32,799
Library Acquisitions	11,829	10,102	1,727	1,702
Furnishings and Equipment	25,488	19,113	6,375	4,682
Collections	1,172	0	1,172	1,160
Assets Under Construction	7,134	0	7,134	4,869
	<u>\$100,097</u>	<u>\$46,789</u>	<u>\$53,308</u>	<u>\$47,223</u>

Collections include Art Work & Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation.

6. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research & Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2006 \$000	2005 \$000
Balance, Beginning of Year	\$4,910	\$4,600
Contributions Received	8,322	6,982
Contributions Expended	(6,634)	(5,859)
Transferred to Foundation	(1,565)	(813)
Balance, End of Year	<u>\$5,033</u>	<u>\$4,910</u>

Balance Consists of:

Sponsored Research & Designated Funds	\$2,312	\$2,489
Special Purpose Trust	2,721	2,421
	<u>\$5,033</u>	<u>\$4,910</u>

7. Unfunded Staff Benefits

The balance of unfunded staff benefits includes:

	2006 \$000	2005 \$000
Accrued Vacation Pay	\$1,326	\$1,161
Supplementary Pension Payable - Current Portion	83	82
	<u>\$1,409</u>	<u>\$1,243</u>

8. Bank Indebtedness

The University has an operating line of credit with a bank in the amount of \$750,000 that is unsecured and bears interest at prime. The line of credit was not utilized at March 31, 2006 or March 31, 2005.

9. Long Term Liabilities

	2006 \$000	2005 \$000
Promissory Note	\$792	\$0
Mortgage Payable	203	231
UWEHC Mortgages Payable	287	612
Supplementary Pensions Payable	631	714
	<u>\$1,913</u>	<u>\$1,557</u>

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the \$40,054 annual mortgage payment.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is due August 30, 2006 and has an interest rate of 6.61%. It is repayable at \$2,715 per month including principal and interest. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. They are repayable at \$2,521 per month including principal and interest.

Principal payments on the mortgages during the next five years are:

2007 - \$353,060; 2008 - \$316,208; 2009 - \$31,137; 2010 - \$32,833; 2011 - \$34,621.

The promissory note represents an unsecured loan from the Province of Manitoba. The loan in the amount of \$980,000 was used to finance the property located at 509 Ellice Avenue and 433 Young Street. The loan is due on April 15, 2015 and has an interest rate of 4.45%. It is repayable at \$8,167 principal plus interest per month.

Principal payments on the loan amount to \$98,000 per year.

Included in accounts payable and accrued liabilities is the current portion of long term debt of \$451,000 (2005 - \$47,000).

10. Deferred Capital Contributions

Deferred capital contributions represent the unamortized external contributions for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2006	2005
	\$000	\$000
Balance, Beginning of Year	\$36,402	\$32,275
Contributions Received	2,910	808
Contributions from University of Winnipeg Foundation Specified Fund	2,920	4,500
Mortgage Principal Contributions	27	26
Transfer to Revenue – Amortization	(1,323)	(1,207)
Balance, End of Year	<u>\$40,936</u>	<u>\$36,402</u>

11. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2006 is \$1,488,000 (2005 - \$2,402,000). It consists of cumulative net unrestricted trust income of \$561,000 (2005 - \$439,000) and strategic provisions of \$927,000 (2005 - \$1,963,000).

The cumulative net unrestricted trust income of \$561,000 is available to fund Board of Regents scholarships.

The strategic provisions represents an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures are authorized in accordance with appropriate policy.

The strategic provisions provide for:

	March 31, 2005 \$000	Expended \$000	Transfers \$000	Additions \$000	March 31, 2006 \$000
Fiscal Stabilization					
Defined Benefit Pension	\$ 500				\$ 500
Sinking Fund					
Infrastructure					
Deferred Maintenance	8	(8)			0
Academic Equipment	100				100
Building Renovations	466	(400)			66
Strategic Development					
Internal Research Grants	75				75
Library Endowment	150	(137)			13
Support to Academic Initiatives	154	(154)			0
Advancement Services	85	(4)	(81)		0
World Council on Gifted Children	12	(3)			9
Employment Equity	20				20
Project Development	393	(330)	81		144
	<u>\$1,963</u>	<u>(\$1,036)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 927</u>

12. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of \$1,566,000 – Note 4 (2005 - \$650,000) and accounts receivable of \$896,000 (2005 - \$0).

Endowments of \$1,812,000 are held in trust in accordance with the terms of a certain bequest. In 2006, The University of Winnipeg has a 10% share in the income distribution from this trust.

During 2004-05, endowments totalling \$20,979,000 were transferred to the University of Winnipeg Foundation pursuant to the Endowment Fund Agreement. The University of Winnipeg Foundation maintains the endowment fund and provides the income distribution that is used to fund special purpose trust expenditures.

13. University of Winnipeg Pension Plan

The University of Winnipeg Pension Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Pension Plan. Professional investment managers administer the portfolio.

The Plan covers all eligible employees of the University of Winnipeg, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment.

At December 31, 2005 the fair value of the Plan's net assets was \$127,055,101 (2004 - \$115,820,845). Under the Plan, contributions are made by Plan members and matched by the University of Winnipeg. A member who receives benefits from the long term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

Based on a Board of Regents' resolution of December 4, 2000 and implemented by amendment #2001/1 to the Pension Plan, Plan members at December 31, 2000, who were less than age 55 at December 31, 1999, could elect to either remain in the existing contributory defined benefit pension plan or alternatively, convert their accrued benefits at December 31, 1999 to a defined contribution equivalent. This resulted in their future benefits being determined on a defined contribution basis. Approximately one-quarter of the eligible members converted to the defined contribution plan. Employees at December 31, 2000 who were not members of the Plan at that date had the ability to elect to have their future benefits determined on a defined benefit or a defined contribution basis. Employees hired after December 31, 2000 have their future benefits determined on a defined contribution basis.

The amendment also provided for an initial surplus distribution to the members who stayed in the defined benefit segment, a full surplus distribution for those who transferred to the defined contribution segment and a mechanism to allow the University to use its share of the surplus to fund its contributions. The Board resolution also provided, at a later date, for the members' share of the remaining surplus to be used to enhance benefits and for the establishment of a Board of Trustees to operate the Plan at arm's length from the University.

The University contributions to the Pension Plan from April 1, 2000 to March 31, 2002 were funded out of its share of the surplus in the defined benefit segment of the Pension Plan. The University resumed its contributions to the Pension Plan effective April 1, 2002.

In 2004, the University and the stakeholders who represent the members of the defined benefit segment of the Pension Plan reached an agreement to modify the provisions of both the Plan Amendment #2001/1 and the December 4, 2000 Board Resolution as described in Note 19. These modifications were included in Amendment 2004/B which was approved by the Board of Regents in October, 2004 and has been filed with the Pension Commission of Manitoba and the Canada Revenue Agency.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

The defined contribution segment of the Pension Plan consists of:

	December 31 2005 \$000	December 31 2004 \$000
Balance, Beginning of Year	\$11,049	\$9,115
Contributions	1,641	1,443
Benefit Payments	(420)	(343)
Net Investment Return	1,411	834
Balance, End of Year	<u>\$13,681</u>	<u>\$11,049</u>

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the University of Winnipeg Pension Plan was prepared effective December 31, 2004 by Eckler Partners Ltd., a firm of consulting actuaries and this valuation was updated by them to December 31, 2005.

The benefit obligation has been calculated pursuant to CICA Handbook 3461 using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan Financial Statements which use an expected long term rate of return.

The financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2005 and updated with employer contributions to the Pension Plan during the three-month period ending March 31, 2006.

Change in Defined Benefit Obligation

	2005 \$000	2004 \$000
Benefit Obligation, January 1	\$110,756	\$102,219
Current Service Cost	2,597	2,452
Interest Cost	6,254	6,050
Benefits and Refunds Paid	(6,568)	(5,229)
Actuarial Loss (Gain)	10,075	5,264
Benefit Obligation, December 31	<u>\$123,114</u>	<u>\$110,756</u>

Change in Plan Assets

	2005 \$000	2004 \$000
Market Value of Plan Assets, January 1	\$104,813	\$99,095
Actual Return on Plan Assets, Net of Expenses	12,284	8,688
Employer Contributions	1,855	1,254
Employee Contributions	990	1,005
Benefits and Refunds Paid	(6,568)	(5,229)
Market Value of Plan Assets, December 31	<u>\$113,374</u>	<u>\$104,813</u>

Reconciliation of Funded Status

	2005 \$000	2004 \$000
Funded Status – Surplus (Deficit)	(\$9,740)	(\$5,943)
Employer Contributions After December 31	297	305
Unamortized Transitional Asset	(4,100)	(4,556)
Unamortized Net Actuarial Loss	14,354	10,643
Accrued Benefit Asset, Before Valuation Allowance	811	449
Valuation Allowance	(811)	(449)
Accrued Benefit Asset, Net of Valuation Allowance	<u>\$ 0</u>	<u>\$ 0</u>

Components of Pension Expense

	2005 \$000	2004 \$000
Employer Share of Current Service Cost	\$1,607	\$1,447
Interest Cost	6,254	6,050
Expected Return on Plan Assets	(5,920)	(5,857)
Amortization of Transitional Asset	(456)	(456)
Amortization of Actuarial Loss	0	0
Increase (Decrease) in Valuation Allowance	362	83
Net Pension Expense	<u>\$1,847</u>	<u>\$1,267</u>

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2004, its extrapolation to December 31, 2005 and the 2005 pension expense were:

Discount Rate	- pre and post-retirement	5.75%
Rate of salary increase	- 2005	2.50%
	- 2006	3.00%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2005 were:

Discount Rate	- pre and post-retirement	5.0%
Rate of salary increase	- 2006	3.0%
	- thereafter	4.0%

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2004 confirms that the defined benefit segment of the Pension Plan has a solvency deficiency of \$15,140,000.

The University would normally be required under the *Pension Benefits Act* to make additional annual payments of \$3,435,000 over a five year period to retire the solvency deficiency. However, the Provincial Government has provided the University with an amnesty in respect of those payments. Under this amnesty, the Government has, by Order in Council (No.192/2005), made a regulatory change (Special Payments Exemption Regulation 75/2005) (the "Regulation") under the *Pension Benefits Act* that enables the University to elect to defer the annual solvency payments over the next three years, thus providing time for the Government and the University to recommend a resolution to the solvency issue. The University made this election in September, 2005.

The Regulation also requires that the going-concern valuation at December 31, 2004 be reported to the Pension Commission using market value for assets and requiring any deficiency in this valuation to be funded over no more than 10 years rather than the normal 15 years. On this basis, the going-concern deficiency at December 31, 2004 is \$1,988,000 and the annual funding payments are \$268,000.

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency is \$3,746,000 and the annual funding payments are \$386,000. This smoothing approach, as recommended by the Plan Actuary, was approved by the University's Board of Regents on May 30, 2005. The Regulation specifically permits the University to make funding contributions in excess of the minimum provided.

Because of the going-concern deficiency, the University is also required to make additional contributions of \$178,000 in 2006 and \$187,000 in 2007 to cover the current service shortfall.

As referred to in note 19, the University has made an additional contribution of \$600,000 in July of 2005. The contribution was used to cover the going-concern deficiency payment and the current service shortfall for 2005, with the balance being used to partially offset the payments in 2006.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary estimates that these changes will add approximately \$1,100,000 to the actuarial present value of accrued benefits at December 31, 2004 and would increase the minimum annual funding payments to approximately \$500,000.

14. Segmented Operations

Included in the excess of income over expenses in the Statement of Operations is:

	2006			2005		
	Revenue \$000	Expense \$000	Surplus (Deficit) \$000	Revenue \$000	Expense \$000	Surplus (Deficit) \$000
Collegiate	\$3,172	\$3,465	(\$ 293)	\$3,468	\$3,458	\$ 10
Continuing Education	\$4,598	\$4,725	(\$ 127)	\$4,618	\$4,504	\$ 114
Campus Operations	\$5,084	\$5,049	\$ 35	\$5,059	\$5,078	(\$ 19)

15. Commitments

The University has lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including May 31, 2016. These lease contracts require annual payments over the next 5 years and in aggregate as follows:

	\$000
2006/07	\$2,461
2007/08	1,835
2008/09	1,268
2009/10	1,117
2010/11	897
Thereafter	1,738
	\$9,316

16. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003.

The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

(a) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupies space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of \$45,000 per annum for occupancy and support services. The Agreement is effective for an initial term ending March 31, 2004 with an option for automatic renewal for a subsequent 5 year term thereafter.

(b) Specified Fund Agreement

This Agreement provides for the transfer of the \$14,000,000 Government of Manitoba capital contribution from the University to the Foundation. The Agreement contemplates the disbursement of \$14,000,000 to the University on a scheduled basis, which coincides with proposed capital projects under the Campus Development Plan, including Wesley Hall. The Foundation is entitled to retain any interest/appreciation in capital achieved during the time the Foundation holds the funds.

(c) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University of Winnipeg.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 20 on Related Party Transactions.

The Foundation is a controlled entity of The University of Winnipeg based upon the following factors:

- i) The University has representation on the Foundation's Board of Directors and has the authority to approve members at its discretion.
- ii) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.
- iii) The Foundation requires the University's consent to amend its by-laws.
- iv) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31 is summarized as follows:

	2006 \$000	2005 \$000
Statement of Financial Position:		
Assets	<u>\$33,765</u>	<u>\$34,161</u>
Liabilities	<u>\$388</u>	<u>\$1,559</u>
Fund Balances:		
Operating Fund	463	627
Investment in Capital Assets	42	48
Building and Program Fund	350	605
Funds Held Pending Terms of Reference	-	265
Specified Fund	5,074	8,000
Endowment Fund	<u>27,448</u>	<u>23,057</u>
	<u>\$33,377</u>	<u>\$32,602</u>
	<u>\$33,765</u>	<u>\$34,161</u>
	2006 \$000	2005 \$000
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	0	21,017
Accumulated Investment Fund	0	0
Investment Income	1,997	1,349
University of Winnipeg Support Funding	300	300
Endowment Administration Fee	461	420
Annual Donations	<u>5,483</u>	<u>3,170</u>
	<u>8,241</u>	<u>26,256</u>
Uses of Funds:		
Capital Programs	2,926	4,500
Endowment - Gifts to the University	926	905
Endowment - Administration Fee	461	420
Endowment - Administration Expenses	82	73
Operations	1,183	838
Donations Gifted to the University of Winnipeg	<u>1,888</u>	<u>679</u>
	<u>7,466</u>	<u>7,415</u>
Increase in Funds	<u>\$ 775</u>	<u>\$18,841</u>

Restrictions are placed upon expenditures within Funds including:

- i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.
- ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.
- iii) The Building & Program Fund is specifically intended to record the receipt of all donations intended for the University of Winnipeg programs and capital projects.
- iv) The Specified Fund consists of the initial funding of \$14,000,000 transferred to the Foundation from The University of Winnipeg, pursuant to the "Specified Fund Agreement".
- v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.
- vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a \$300,000 per annum operating grant, reducing by \$30,000 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and in aggregate as follows:

	\$000
2006/07	\$300
2007/08	300
2008/09	300
2009/10	300
2010/11	270
Thereafter	630
	\$2,100

17. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of The University of Winnipeg ("University"). As of March 31, 2006, because of a change in the membership composition, UWCRC became a related entity. At the first UWCRC board meeting immediately following the year-end, the membership of UWCRC was changed to conform to its status as a controlled entity.

UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

UWCRC owns a 25% interest in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which numbered company, owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University will be leasing office space in the Property.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate \$1.00 in revenue from its tenants for each \$1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0.

The financial position of UWCRC at March 31 is summarized as follows:

	2006 \$000
Statement of Financial Position:	
Assets:	
Cash	\$ 80
Investment, at Equity	700
Other	21
	<u>801</u>
Liabilities:	
Accrued Liabilities	45
Due to University of Winnipeg (Note 20)	132
Net Assets	624
	<u>\$ 801</u>
	2006 \$000
Statement of Operations:	
Revenue	
Donations	\$ 700
Operating Grants	100
	<u>800</u>
Expenses	<u>176</u>
Excess of Revenue over Expenses	<u>\$ 624</u>

18. Contingencies

The University of Winnipeg is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2006.

19. Agreement Between the University and Pension Plan Stakeholders

In April 2003, the University and all Pension Plan stakeholders of the defined benefit segment of the Plan agreed to amend the provisions of Plan Amendment 2001/1, that was approved in the Board of Regents resolution of December 4, 2000.

In 2003 and 2004, provisions of the agreement that have been implemented include:

- (a) All stakeholders and the University (Plan Sponsor) to forego any further implementation of the Board of Regents' resolution of December 4, 2000 amendment to the Pension Plan.
- (b) Elimination of the contribution credit balance and the cessation of any further distribution of surplus arising from the original agreement.
- (c) The sections of Plan Amendment 2001/1 that were implemented remain unchanged. This includes pension contribution holidays taken, partial distribution of surplus to employees remaining in the defined benefit segment of the Plan, creation of a defined contribution segment of the Plan and the related transfer of full surplus share to those Members who elected to move from the defined benefit to the defined contribution segment of the Plan.
- (d) Required University contributions to the defined benefit segment of the Plan were modified as follows:
 - (i) The University pays both employee and University required contributions in respect of defined benefit Members who are in receipt of long-term disability benefits, effective April 1, 2003.
 - (ii) The University's required contributions for defined benefit members were increased to 6.5 percent of pensionable salary less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2003, and to 7 percent less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2004.
- (e) The University made a special payment of \$638,000 in April 2003 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.

- (f) The University made an additional contribution of \$600,000 into the defined benefit segment of the Pension Plan in July 2005.

The provision of the agreement that remain outstanding is the establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its approval by the Manitoba Pension Commission.

The University filed the Plan Amendment with the Manitoba Pension Commission that implements the above Agreement in 2004.

20. Related Party Transactions

The University of Winnipeg Foundation (Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC) are controlled entities of The University of Winnipeg.

During the year ending March 31, The University of Winnipeg (University) incurred transactions as follows:

	2006 \$000	2005 \$000
From the University to the Foundation:		
i) Operating grant	\$300	\$300
ii) Gifts for endowment	\$865	\$813
iii) Transfer of the Endowment Fund	\$0	\$20,979
From the Foundation to the University:		
i) Annual service fee	\$45	\$45
ii) Transfer of specified funds	\$2,926	\$4,500
iii) Transfer of annual donations	\$1,851	\$788
iv) Income allocation	\$926	\$905
From the University to UWCRC		
i) Donations for investment in property (note 17)	\$700	\$0

At the end of the year, the amounts due to and from related parties are as follows:

	2006 \$000	2005 \$000
Due from Related Parties		
Specified Fund – Foundation	\$ 259	\$ 533
Operating – Foundation	0	0
Operating – UWCRC	132	0
	<u>391</u>	<u>533</u>
Due to Related Party		
Operating – Foundation	306	417
	<u>\$ 306</u>	<u>\$ 417</u>

21. Reclassification of Comparative Figures

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

